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/009W -----7A6F7B 080535Z /38R 080507Z JUL 91
FM AMCONSUL GUANGZHOU
TO SECSTATE WASHDC 9657
INFO AMEMBASSY BEIJING
AMCONSUL SHANGHAI
AMCONSUL SHENYANG
AMCONSUL HONG KONG
AIT TAIPEI 1063DEPARTMENT OF STATE IMP/PS/CR/RM Date: 3/19/97
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E.O. 12356: N/A
TAGS: PGOV, ETRD, OREP, CH
SUBJECT: STAFFDEL ROBERTS VISIT TO GUANGZHOU

1. SUMMARY. HFAC STAFFDEL ROBERTS VISITED GUANGZHOU JUNE 30 THROUGH JULY 3. THE STAFFDEL TRAVELED OVERLAND FROM MACAO TO GUANGZHOU AND SAW THE REMARKABLE ECONOMIC DEVELOPMENT OF THAT PART OF THE PEARL RIVER DELTA. IN GUANGZHOU, THE STAFFDEL MET WITH REPRESENTATIVES OF THE GUANGDONG PROVINCIAL GOVERNMENT, INCLUDING SENIOR VICE

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GOVERNOR YU FEI, AND DISCUSSED U.S.-CHINA TRADE RELATIONS AND HUMAN RIGHTS ISSUES. THE STAFFDEL ALSO VISITED PROCTER & GAMBLE'S JOINT VENTURE FACTORY IN HUANGPU AND A "MODEL" REFORMATORY ON THE OUTSKIRTS OF GUANGZHOU CITY. END SUMMARY.-----
OVERLAND FROM MACAO

2. HOUSE FOREIGN AFFAIRS COMMITTEE STAFFDEL ROBERTS (INCLUDING HFAC STAFFERS ARCH ROBERTS, FRANK RECORD, DAVID WEINER, JAMIE MCCORMICK, AND LISA HEYES) VISITED GUANGZHOU JUNE 30 THROUGH JULY 3. THE STAFFDEL WAS MET IN MACAO BY ACTING PRINCIPAL OFFICER JOHN TKACIK AND POLITICAL OFFICER GARY WILLIAMS. WHILE IN MACAO, THE

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STAFFDEL HAD LUNCH WITH LANCELOT RODRIGUES, DIRECTOR OF CATHOLIC RELIEF SERVICES. RODRIGUES IS A CATHOLIC PRIEST WITH LONG EXPERIENCE IN MACAO AND SOUTH CHINA. AFTER LUNCH, THE STAFFDEL TRAVELED BY CONSULATE VEHICLE OVERLAND FROM ZHUHAI TO GUANGZHOU, WHICH PROVIDED AN OPPORTUNITY TO VIEW THE EXTRAORDINARY RAPID ECONOMIC DEVELOPMENT OF THAT PART OF THE PEARL RIVER DELTA.

MFN AND HUMAN RIGHTS

3. ON JULY 1, THE STAFFDEL MET WITH GUANGDONG PROVINCE SENIOR VICE GOVERNOR YU FEI. THE STAFFDEL DISCUSSED THE CONGRESSIONAL DEBATE OVER MFN STATUS FOR CHINA.

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U.S.-CHINA TRADE RELATIONS, REPORTS OF CHINESE PRISON MANUFACTURE PRODUCTS BEING EXPORTED TO THE U.S., AND HUMAN RIGHTS IN CHINA. YU SAID HE HOPED MFN WOULD BE RENEWED BECAUSE IT WOULD BE OF MUTUAL BENEFIT TO BOTH THE U.S. AND CHINA. HE CAUTIONED THE SHARP IMPACT DENIAL OF MFN WOULD HAVE ON MACAO AND HONG KONG.

4. ON THE SUBJECT OF THE U.S. TRADE DEFICIT WITH CHINA, HE SAID THIS WAS A PHENOMENON WHICH HAD EXISTED ONLY FOR THE LAST TWO YEARS. HE NOTED BEFORE THAT TIME, CHINA HAD A DEFICIT WITH THE U.S. HE ADDED CHINA WAS CONCERNED ABOUT THE TRADE DEFICIT AND WAS FOCUSING ON WAYS TO REDUCE IT.

5. ON PRISON LABOR PRODUCTS, THE VICE GOVERNOR SAID CHINESE EXPORT COMPANIES DO NOT, AS A MATTER OF POLICY, PURCHASE PRISON MANUFACTURED PRODUCTS AND EXPORT THEM TO THE U.S. HE ADMITTED, HOWEVER, MANY PRISON MADE PRODUCTS END UP ON LOCAL MARKETS AND SOME MAY ACCIDENTALLY GET EXPORTED LATER. YU APOLOGIZED TO THE STAFFDEL FOR BEING UNABLE TO ARRANGE A VISIT TO A LOCAL "PRISON," AS HAD BEEN REQUESTED. HE SAID THE LOCAL REFORMATORY, WHICH HAD BEEN VISITED THE PREVIOUS WEEK BY HONG KONG BUSINESSMAN AND MFN ADVOCATE JOHN KAMM, WAS UNDERGOING EXTENSIVE "MAINTENANCE" WORK. (NOTE: AFTER THE MEETING, THE FOREIGN AFFAIRS OFFICE, APPARENTLY AT THE VICE GOVERNOR'S BIDDING, SCHEDULED THE VISIT ANYWAY CLAIMING THE MAINTENANCE WORK WAS GOING TO BE POSTPONED JUST TO PROVIDE THE STAFFDEL AN OPPORTUNITY TO VISIT A "PRISON.")

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6. AT THE END OF THE MEETING, THE STAFFDEL PROVIDED A
LIST OF CHINESE CITIZENS WHO HAVE BEEN DETAINED IN
GUANGDONG PROVINCE FOR POLITICAL CRIMES. THE VICE
GOVERNOR ACCEPTED THE LIST AND PROMISED TO LOOK AT IT

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LATER. DESPITE SOME OF THE DIVISIVE ISSUES DISCUSSED
DURING THE MEETING, THE ATMOSPHERE WAS FRIENDLY
THROUGHOUT.

7. FOLLOWING THE MEETING WITH THE VICE GOVERNOR, THE
STAFFDEL MET WITH KE XIAOHUI OF THE CHINESE COMMISSION
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FOR THE PROMOTION OF INTERNATIONAL TRADE (CCPIT).
UNDER SHARP QUESTIONING BY THE MEMBERS OF THE STAFFDEL,
KE INSISTED THE CHINESE GOVERNMENT WAS NOT RESTRICTING
IMPORTS BY USING QUOTAS MANDATED BY THE CENTRAL
GOVERNMENT. (NOTE: WE HAD BRIEFED THE STAFFDEL
EARLIER ON THIS SUBJECT AND MADE IT CLEAR THERE WAS
EVIDENCE SUGGESTING CHINA WAS USING IMPORT QUOTAS.) KE
SAID DENIAL OF MFN WOULD, OF COURSE, HURT CHINA BUT
CHINA WOULD SURVIVE AND IT WOULD THRIVE BY CULTIVATING
OTHER INTERNATIONAL MARKETS. HE ALSO SAID MAINLAND
CHINA WAS READY FOR DIRECT TRADE WITH TAIWAN WHENEVER
TAIWAN WAS.

8. IN THE EVENING, THE STAFFDEL ATTENDED A DINNER IN
THE CONSULATE TOWER WITH REPRESENTATIVES FROM THE
FOREIGN AFFAIRS OFFICE LED BY DEPUTY FAO DIRECTOR ZHUO
YI AND PROVINCIAL PEOPLE'S CONGRESS OFFICIALS LED BY
DEPUTY SECRETARY GENERAL ZENG ZHAOKE. THE EVENING'S
CONVERSATIONS FOCUSED UPON THE IMPORTANCE OF MFN
RENEWAL TO GOOD U.S.-CHINA RELATIONS.

A VISIT TO A SUCCESSFUL JOINT VENTURE ENTERPRISE

9. ON JULY 2, THE STAFFDEL VISITED PROCTER & GAMBLE'S
MODERN FACTORY LOCATED IN HUANGPU, AN HOUR AND A HALF
DRIVE SOUTH OF GUANGZHOU. P&G MANAGEMENT PROVIDED A
TOUR OF THE FACILITY AND DESCRIBED P&G'S LONG TERM
STRATEGY FOR DOING BUSINESS IN CHINA (I.E., HEAVY
INVESTMENT IN TRAINING AND DEVELOPING LOCAL STAFF AND
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MANAGEMENT). (COMMENT: P&G'S GUANGDONG OPERATION IS A
JOINT VENTURE AND ONE OF THE MORE SUCCESSFUL
ENTERPRISES OF ITS KIND IN SOUTH CHINA. AS GUANGZHOU
RESIDENTS CAN ATTEST, P&G PRODUCTS FILL THE SHELVES OF
LOCAL STORES AND ARE HIGHLY POPULAR WITH CONSUMERS.
ACCORDING TO P&G, AFTER ONLY THREE YEARS OF PRODUCTION,
THE LOCAL FACILITY IS WELL "ON THE WAY TO
PROFITABILITY" SEVERAL YEARS AHEAD OF SCHEDULE. END
COMMENT.)

A "MODEL" PRISON

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10. FOLLOWING THE P&G TOUR, THE STAFFDEL VISIT THE GUANGDONG PENAL INSTITUTION FOR YOUTHFUL OFFENDERS IN GUANGZHOU'S SHIJING DISTRICT. THIS REFORMATORY IS GUANGDONG'S SHOWCASE INSTITUTION. RUN UNDER THE AUSPICES OF THE PROVINCIAL LABOR DEPARTMENT, IT HOUSES 1,800 YOUTHS AGES 14 THROUGH 18. WE WERE TOLD WE WERE THE 35TH GROUP OF AMERICAN VISITORS TO TOUR THE INSTITUTION IN ITS 35 YEAR HISTORY (FOR A TOTAL OF 600 FOREIGN VISITORS). THE REFORMATORY DIRECTOR, MR. LU SANZHI, GAVE THE STAFFDEL A GUIDED TOUR INCLUDING THE GIRLS SECTION AND TWO OF THE BOYS SECTIONS.

11. THE YOUTHS, WHO ARE COMMITTED FOR A VARIETY OF INFRACTIONS (MOSTLY THEFT), WORK HALF DAYS IN REFORMATORY SHOPS AND STUDY HALF DAYS FOR SIX DAYS A WEEK. THE GIRLS DO MOSTLY SEWING. THE ONE BOYS SHOP WE VISITED WAS A PRINTING SHOP PRODUCING VARIOUS

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CHINESE FORMS FOR USE IN THE REFORMATORY AND FOR SALE OUTSIDE. (COMMENT: DURING JOHN KAMM'S VISIT THE WEEK BEFORE, HE HAD BEEN SHOWN A SHOP WHERE SIMPLE ELECTRONIC CIRCUIT BOARDS WERE PRODUCED. HE QUIZZED OFFICIALS AT LENGTH ABOUT THE POSSIBILITY SUCH PRODUCTS

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AMCONSUL SHANGHAI
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MIGHT BE EXPORTED. END COMMENT.) TIME IS ALSO SPENT IN MILITARY STYLE DRILLING, WHICH THE STAFFDEL WITNESSED IN BOTH BOYS SECTIONS. ON SUNDAYS, RECREATIONAL ACTIVITIES (SPORTS, MOVIES, MONTHLY VISITS BY PARENTS) ARE PERMITTED.

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12. REFORMATORY OFFICIALS INSISTED ONLY A VERY SMALL FRACTION OF YOUTHS ARE REPEAT OFFENDERS AFTER SPENDING TIME IN THE REFORMATORY. THEY ALSO SAID ONLY ABOUT ONE PERCENT OF THE YOUTHS GO TO ADULT PRISONS AFTER PASSING THE AGE OF 18 (THOSE COMMITTED FOR VIOLENT CRIMES LIKE MURDER). THE INSTITUTION'S GROUNDS, DORMITORIES, AND WORK SHOPS WERE SPARTAN BUT CLEAN AND ORDERLY.

13. THE STAFFDEL DEPARTED FOR BEIJING ON JULY 3. STAFFDEL MEMBERS DID NOT HAVE AN OPPORTUNITY TO REVIEW THIS MESSAGE BEFORE LEAVING GUANGZHOU.

HARTER

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